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Sequoia Capital's prominent VC firm had a banner week: \$9 billion in IPO shares while helping TikTok negotiations

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Ari Levy
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KEY POINTS At week's end, Sequoia owned a \$5 billion stake in Snowflake and \$3.9 billion worth of stock in Unity.

Just six months ago the firm was warning portfolio companies about the potential financial impact of the coronavirus.

Meanwhile, Sequoia is also an investor in ByteDance and has been helping the Chinese

TRENDING NOW



Sequoia Capital Global Managing Partner Doug Leone speaks onstage during Day 2 of TechCrunch Disrupt SF 2018 at Moscone Center on September 6, 2018 in San Francisco, California.

Steve Jennings / Getty Images

Even by Sequoia's standards, this was a crazy week.

The 48-year-old venture capital firm, long the envy of its Silicon Valley peers because of early bets on [Apple](#), [Cisco](#), [Google](#), LinkedIn, WhatsApp and [Zoom](#), just wrapped up a five-day stretch that, for many rivals, would mark a strong five-year run.

Sequoia has an 8.4% stake in [Snowflake](#), which had the biggest software IPO ever, and is the largest owner of gaming company [Unity](#). It also owns shares in [Sumo Logic](#), which debuted on Thursday.

Sequoia's holdings in those three companies are worth about \$9 billion as of Friday's close.



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And then there's TIKTOK. The social media app owned by China's ByteDance is under pressure by the Trump administration and facing a potential U.S. [ban this weekend](#). Sequoia, which launched a China operation in 2005, is an investor in ByteDance and has been helping the company navigate its options.

Sequoia partners surely wouldn't have predicted this level of activity six months ago, when the firm sent around a [memo](#) to portfolio companies warning them of the potential financial impact of the coronavirus. Sequoia urged start-ups at the time to pay close attention to their cash positions, warned them that financing activity could "soften significantly," suggested that customer spending may drop and said it was time to examine whether they could "do more with less" when considering headcount.



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Over the past six weeks, Leone and a team at Sequoia, along with some of ByteDance's other U.S. investors, have acted as liaisons between the company and the U.S. government and have helped explore potential solutions to avoid a shutdown, according to a person familiar with the matter who asked not to be named because the discussions were confidential. [The Washington Post](#) and [Wall Street Journal](#) previously reported on Sequoia's involvement in the process.

The drama has pulled in some of the biggest U.S. companies. Microsoft, Google, [Walmart](#) and [Oracle](#) all emerged as potential buyers of TikTok so that the operation would be based in the U.S. More recently, Oracle had planned to [become a technology partner](#) for TikTok, hosting the data on its cloud, while taking a stake in the company. To address ownership concerns, ByteDance would [spin off TikTok through an IPO](#) on a U.S. stock exchange, according to people familiar with the matter.

Whatever happens with TikTok, Sequoia is generating plenty of money for its limited partners to justify the more than \$7 billion it raised earlier this summer for funds in the U.S., China and India.

Meanwhile, one of its key competitors in the late-stage financing market has retrenched.

That order also requires TikTok to wait 10 days before closing a deal, starting from when it tells CFIUS of the business agreement. Even if TikTok submitted its notification on Sunday, that is still fewer than 10 days before Trump's Sept. 20 deadline.

In an [interview with CNBC](#) Monday morning, Treasury Secretary Steven Mnuchin said that a proposal for the TikTok partnership with Oracle had been received over the weekend and that CFIUS would review it this week.

"I will confirm we did get a proposal over the weekend that includes Oracle as the trusted technology partner with Oracle making many representations for national security issues," Mnuchin said on CNBC. "We'll be reviewing that at the CFIUS Committee this week and then we'll be making a recommendation to the President and reviewing it with him."

Mnuchin added that the Oracle proposal includes a commitment to make TikTok "a US-headquartered company with 20,000 new jobs."

In a statement, Oracle confirmed that it had reached



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The TikTok Oracle Grift: Insiders Admit They Went Hunting For A Tech Company The President Liked

from the *because-of-course* deptWed, Sep 16th 2020 9:43am — **Mike Masnick**

Earlier this week we wrote about the **absolute grift** involved in the TikTok / Oracle deal. Contrary to the framing that this was Oracle "buying" TikTok to satisfy the President's unconstitutional demand that the Chinese company ByteDance sell TikTok to an American company, the story showed that this was just a hosting deal for Oracle's cloud service, which is [way down the list](#) of top cloud providers.

Politics

The end result was no actual sale (though the Treasury Department is still "reviewing" the deal), but a big contract for Oracle, and a bogus story in which the President can pretend he forced ByteDance to "sell" TikTok, even though it retains ownership in the company (there are some rumors that the hosting deal will include a small, and probably symbolic, equity stake for Oracle).

The other key point I noted in my article was that Oracle's executive leadership, starting with Larry Ellison, but including CEO Safra Catz, have been cozying up to Trump and the White House ever since Trump became President. While much of Silicon Valley's executive teams have made it quite clear how uncomfortable they are with a Trump Presidency, Oracle... has done the opposite. And while I framed it as being convenient that things worked out this way, a report from the Wall Street Journal [highlights how this was the grift from day one](#).

Oracle was originally brought into the negotiations to provide an alternative to Microsoft Corp., a rival bidder with Walmart as a partner, said one person familiar with the talks. The U.S. investment firms Sequoia Capital and General Atlantic, which are existing investors in ByteDance, went in search of a tech company with close ties to the administration and settled on Oracle, the person said.

As we discussed earlier, from day one of this silly ordeal, the President made it clear he would steer a deal to a company he personally liked (meaning one where the leadership licked his boots, apparently). After all, after first saying that he was going to block TikTok in the US, as rumors of Microsoft's involvement came out, Trump immediately said that [he would block a deal with Microsoft](#). Microsoft had to go [grovelling to Trump over a weekend](#) to have him say, grudgingly, they could continue to pursue a deal.

Then, of course, there's the Walmart story. Rumors came out that Walmart was a leading bidder, but Trump's White House stepped in and [told them they would block that deal too](#), because it would show that Trump's figleaf "national security" explanation for banning TikTok was an obvious lie.

In other words, throughout this nonsense process, the President -- who at one point also [demanded a finder's fee for any deal](#) -- made it clear that this was about his own whims. He was forcing a sale, and he was going to pick a winner -- and the winner had to be someone he liked.

That doesn't seem like the kind of free market people appreciate. It seems like the very worst of a corrupt crony capitalist system.

The WSJ piece details how being corrupt this whole process was. It was all about stroking Trump's ego, and lining his campaign's bank account:

Sequoia Capital used its own connections to push the administration to allow TikTok to continue operating in the U.S., say people familiar with the discussions. Doug Leone, the firm's global managing partner who took a lead role lobbying on TikTok's behalf, has donated tens of thousands of dollars to Republican candidates this election season along with his wife, including to the president's re-election campaign. Mr. Leone also

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held a reception at his Silicon Valley home for Secretary of State Mike Pompeo in January.

Ms. Catz's relationship to Mr. Trump could give Oracle a leg up in getting the deal approved, according to people in contact with the White House. Oracle has worked for decades with the U.S. government, including multiple contracts with the national-security establishment.

Once again, this was nothing but performative nonsense from the President that ends in his own supporters lining their pockets. None of it seems to have anything to do with actual national security. It's a joke.



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ByteDance says TikTok Global plans public offering

By
Reuters 2 MIN READ
Staff



Sept 21 (Reuters) - China's
ByteDance said on Monday
that TikTok Global will

launch a public offering of shares to enhance the corporate governance structure and transparency for the firm that will control the video platform's U.S. operations.

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ByteDance said in a statement TikTok Global will also conduct a pre-IPO round that will leave ByteDance with an 80% stake in the firm. The firm said TikTok Global's board of directors includes ByteDance founder Zhang Yiming as well as Walmart's chief executive and current directors of ByteDance.

The current plan for TikTok Global does not involve any transfer of algorithms or technologies and Oracle Corp has security access to TikTok U.S.'s source code,

ByteDance said.

ByteDance also said a \$5 billion payment reportedly to be made to the U.S. Treasury by TikTok Global is based on estimated income and other taxes the company will need to pay over the next few years and has nothing to do with the deal reached with Oracle and Walmart.

(Reporting by Roxanne Liu and Se Young Lee; Editing by Muralikumar Anantharaman)

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Walmart to acquire 7.5% stake in TikTok; new U.S. public company to be formed

Walmart said Saturday (Sept. 19) it continues to work on the final agreements to purchase a 7.5% stake in video-sharing platform TikTok Global.

Author: Talk Business & Politics
Published: 1:02 PM CDT September 20, 2020
Updated: 1:02 PM CDT September 20, 2020



BENTONVILLE, Ark. — Walmart said Saturday (Sept. 19) it continues to work on the final

agreements to purchase a 7.5% stake in video-sharing platform TikTok Global as well as enter into commercial agreements to provide Walmart e-commerce, fulfillment, payments and other omnichannel services to TikTok.

The news comes as President Donald Trump announced Saturday that ByteDance, TikTok's Chinese parent company, has received tentative approval for an agreement with the U.S. government to resolve outstanding issues, which will now include Oracle and Walmart together investing to acquire 20% of the newly-formed TikTok Global business.

As a part of the deal, TikTok is creating a new company called TikTok Global that will be responsible for providing all TikTok services to users in the United States and most of the users in the rest of the world. The Trump administration conditionally approved the landmark deal where Oracle will become TikTok's secure cloud provider.

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Donald Trump celebrates TikTok deal that falls short of his key demands

Synopsis

Trump said he wanted the U.S. part of the business owned by an American company. But China's ByteDance Ltd. remains the majority shareholder in a new U.S. company that will include fresh investments by Oracle Corp. and Walmart Inc. in a future fundraising round.



By Nick Wadhams and Shelly Banjo

The **TikTok** video-sharing app was already under U.S. scrutiny when users pranked President **Donald Trump's** campaign by pretending to reserve thousands of tickets to a June re-election rally in Oklahoma.

For Trump administration hardliners who wanted a tougher stance toward

Beijing and viewed the Chinese-owned app as a national security threat, it was the perfect moment to pounce. The president, furious over the Covid-19 pandemic and embarrassed by empty seats at his campaign event, obliged.

Linking TikTok to Beijing's handling of the raging coronavirus outbreak,

Donald Trump celebrates TikTok deal that falls short of his key demands - The Economic Times
9/20/20, 10:46 PM

Trump in July threatened to ban the app used by 100 million Americans unless China handed over control of the company, its algorithms and data to the U.S. Harkening back to his New York real estate days, he also insisted the U.S. government get compensated in the process.

The deal Trump signed off on Saturday, hours before a Sept. 20 deadline, does almost none of that.

Trump said he wanted the U.S. part of the business owned by an American company. But China's ByteDance Ltd. remains the majority shareholder in a new U.S. company that will include fresh investments by Oracle Corp. and Walmart Inc. in a future fundraising round.

Trump said he wanted the data to stay in American hands, for national security reasons. But the algorithm itself -- the thing that makes TikTok TikTok -- will still belong to ByteDance, so national security concerns remain, experts said.

And the government payout? That turned into a vaguely worded promise of \$5 billion in new tax dollars to the U.S. Treasury. The company also said it would create a new "education initiative" to teach kids reading and math online. Still, Trump said he was satisfied.

"They're going to be setting up a very large fund," Trump said Saturday. "That's their contribution that I've been asking for."

The president did get a partial victory. He said the new company will have a Texas headquarters and promised to hire 25,000 Americans, although no breakdown or timeline for the hiring was provided. The board will be American-run. Most importantly, the move wraps up a crisis six weeks before the U.S. election, concluding one of the more extraordinary episodes in a presidency that has been filled with them.

"It's a great deal for America," Trump said Saturday. "It'll be a brand new company, it will have nothing to do with any outside land, any outside country, it will have nothing to do with China, it'll be totally secure, that'll be part of the deal."

Statements like those are causing skeptics to say Trump singled out TikTok for

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political reasons -- either because of a perception its users dislike him, or to bludgeon China -- and that he took an agreement that met few of his terms for the same reason. They add that the president's direct involvement and his acceptance of a deal brokered by a key ally -- Oracle founder Larry Ellison -- reeks of political interference.

"The government should be in the business of citing national security concerns but they shouldn't be in the business of brokering a back-room deal with a U.S. company," said Ari Lightman, a professor of digital media and marketing at Carnegie Mellon University. "You have to ask yourself -- why didn't they go through the proper steps?"

For national security hawks, a key issue all along was Chinese control of American users' data. Traditionally, U.S.-developed software and apps were exported abroad -- think Facebook or Twitter. TikTok was the first Chinese app to rocket to such popularity in the U.S., giving Beijing a chance to project the sort of "soft power" abroad that it long craved.

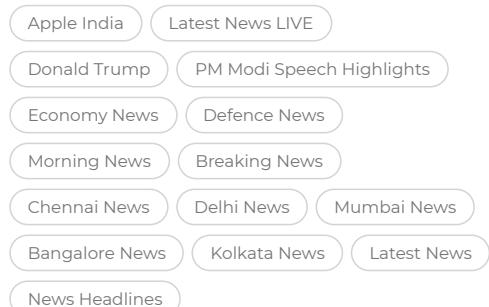
For Trump, it was more personal, according to a person familiar with the matter. The White House was furious that TikTok users may have encouraged people to request but never use tickets to the June 20 rally in Tulsa, Oklahoma. The rally was billed as Trump's first big event after months sheltering from the coronavirus, and the campaign expected tens of thousands of people to show up. In the end, about 6,000 people turned out and Trump was greeted by rows of empty seats.

At the same time, a security review of the app was underway. The scrutiny stemmed from ByteDance's 2017 acquisition of Musical.ly, a lip-synching app based in China but whose majority of users were in the U.S. It was folded into TikTok. ByteDance didn't report the deal to the Committee on Foreign Investment in the U.S. for approval, but two years later the panel contacted ByteDance.

The issue simmered into 2020 as tensions between Washington and Beijing soared and the Covid-19 pandemic initially dismissed by Trump began killing tens of thousands of Americans. Cfius opened a formal investigation into the acquisition in June.

The Cfius probe was in keeping with much stricter investigations against

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China under Trump. He previously blocked three acquisitions by Chinese investors, the most of any president, while numerous other deals have collapsed after the committee raised national security alarms.



It was worries about personal data, for instance, that prompted Cfius last year to force the Chinese owner of the gay-dating app Grindr to sell the business.



With a Sept. 20 deadline Trump set for a deal looming, Treasury Secretary Steven Mnuchin got to work. By last week, a resolution appeared to have been found. Treasury sent a term sheet to ByteDance that laid out the conditions which were eventually approved: four out of five people on the board would be American, including a representative from Walmart, along with a national-security committee led by an American with cyber-security credentials to oversee any issues that arise.



In addition, the sides agreed that the new company -- which Mnuchin dubbed TikTok Global -- would file for an initial public offering next year. The company will seek a valuation of \$60 billion, according to a person familiar with the matter.



That seemed to persuade the most significant participants on the Cfius executive committee. Mnuchin and Commerce Secretary Wilbur Ross were always on board. But even Secretary of State Michael Pompeo, who had long warned about the dangers of China exploiting U.S. user data, eased his own



SECTIONS Donald Trump celebrates TikTok deal that falls short of his key demands

Questionable math is being leaned on to get around Trump's demand that U.S. investors have majority control of the company. ByteDance will retain an 80% stake in the new company. But because existing U.S. investors hold a 40% stake in ByteDance, counting the new investments by Oracle and Walmart as well as other minority American shareholders, the Trump administration claimed there is 53% ownership by the U.S.



Then there are the clear political overtones associated with the new investors. Oracle CEO Safra Catz was on Trump's transition team and was considered a possible candidate for top jobs including national security adviser and World Bank president. Company founder Ellison hosted a fundraiser for Trump and met with Pompeo along with other tech titans in January.



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Credibility Questions

It's not just Oracle: Sequoia Capital, a major investor in ByteDance who helped broker the TikTok deal, will also retain its stake in the Chinese company. Sequoia managing partner Doug Leone donated \$50,000 last year to Trump Victory, which splits contributions between the campaign and the Republican National Committee. He also gave the same amount that year to America First Action, a super-PAC that supports Trump, although a person familiar said Leone doesn't have a personal relationship with the president.

"There are reasons to be skeptical about President Trump's own motivations to ban the app, given the perverse political incentives in play," said Elsa Kania, an adjunct senior fellow at the Center for a New American Security. "Different rationales and motivations with varying degrees of credibility appear to come into play."

Officials at Sequoia declined to comment. Officials at Oracle didn't immediately respond to a request for comment on whether political factors gave them an edge in getting the deal approved. White House officials didn't immediately respond to a request for comment on that issue or the role the Tulsa rally played in motivating Trump to act.

Security experts said the original source of concern about TikTok still hasn't been resolved, even with Oracle and the U.S. board having insight into the app's algorithms and data.

"These sound like great political talking points," said Michael Coates, chief executive officer of Altitude Networks and former chief information security officer at Twitter. "The whole notion that this is protecting national security is pretty challenging. There are plenty of instances where U.S. companies bundle data and put national security at risk. Picking the odd foreign company that does this and targeting them won't help."

— With assistance by David McLaughlin, Josh Wingrove, Bill Allison, Nico Grant, and Lizette Chapman

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ByteDance plans TikTok IPO to win U.S. deal as deadline looms: sources

By David Shepardson, Stephen Nellis and Echo Wang

12 hrs ago



© Reuters/CHINA STRINGER NETWORK FILE PHOTO: Man walks past a sign of ByteDance's app TikTok, known locally as Douyin, at an expo in Hangzhou

By David Shepardson, Stephen Nellis and Echo Wang

(Reuters) - China's ByteDance is planning a U.S. initial public offering

successfully negotiates acquiring a stake, its CEO, Doug McMillon, would get a seat on TikTok Global's board, the source said.

Trump said that his administration talked with Walmart and Oracle on Thursday but "nothing much has changed" regarding a deal.

He added, without giving details, "I guess Microsoft is still involved." Microsoft said on Sunday its offer for TikTok was rejected. Microsoft did not immediately respond to a request for comment on Thursday.

"We'll make a decision soon," Trump said.

An IPO of TikTok would be one of the technology sector's biggest-ever stock market debuts, given that the app was recently valued by ByteDance investors at more than \$50 billion. It would further reduce ByteDance's stake in the company to appease U.S. officials who want to see the Chinese firm loosen its grip on the video app.

The filing of the IPO would be on a U.S. stock exchange and could come in about a year, the sources said.

There is no certainty over whether Trump will sign off on the agreement. It was also not immediately clear what assets TikTok Global would own beyond the app's assets in the United States. ByteDance has offered to create 25,000 new U.S. jobs with TikTok headquartered in the United States as it seeks to win Trump's blessing for a deal, Reuters has reported.

It was also not clear whether ByteDance could present the deal to China as keeping majority ownership of TikTok. Chinese officials have said they do not want ByteDance to agree to a forced sale, and the company's proposal to the White House this week called for it to retain majority ownership of TikTok.

The board of TikTok Global would include a national security director, who will be approved by the U.S. and chair a security committee overseeing the protection of user data, according to a person familiar with the matter.

The term sheet will grant Oracle the right to inspect TikTok's source code and includes numerous provisions to ensure data security and requirement that all U.S. users data remains in the United States housed by Oracle, the source said.

It is not clear what Oracle or Walmart will pay for a stake. Oracle, Walmart and Treasury did not immediately comment.

Meadows said on Thursday that the administration is still looking at details of the deal and whether it meets national security thresholds. Meadows said if TikTok remains predominantly Chinese-run under the Oracle deal, that would not meet Trump's objectives.

CHINA APPROVAL

ByteDance said on Thursday it would need China to approve the proposed deal with the White House, indicating how its bid to stave off a ban in the United States could be further complicated.

As many as 40% of Americans back Trump's threat to ban TikTok if it is not sold to a U.S. buyer, a Reuters/Ipsos national poll found last month. Among Republicans - Trump's party - 69% said they supported the order, though only 32% expressed familiarity with the app.

The White House has stepped up efforts to purge what it deems "untrusted" Chinese apps from U.S. digital networks. Beyond TikTok, Trump has also issued an order prohibiting transactions with Tencent Holding Ltd's messenger app WeChat.

Earlier this year, Chinese gaming company Beijing Kunlun Tech Co Ltd sold gay dating app Grindr, bought in 2016, for \$620 million after CFIUS ordered its divestment.

ByteDance acquired Shanghai-based video app Musical.ly - whose user base was largely American - for \$1 billion in 2017 without seeking CFIUS approval, relaunching it as TikTok the following year. Reuters reported last year that CFIUS was investigating TikTok.

(Reporting by David Shepardson in Washington, D.C., Stephen Nellis in

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what's this?

of TikTok Global, the new company that will operate the popular short video app, should its proposed deal be cleared by the U.S. government, people familiar with the matter said on Thursday.

ByteDance is racing to clinch an agreement with the White House that will stave off a U.S. ban on TikTok that President Donald

Trump has threatened could happen as early as next week.

Trump ordered ByteDance last month to divest TikTok amid U.S. concerns that the personal data of as many as 100 million Americans who use the app could be passed on to China's Communist Party government.

On Wednesday, he reiterated he was opposed to ByteDance retaining majority ownership of TikTok.

The White House and ByteDance have agreed to a term sheet on some aspects of a deal, although Trump has not yet approved it, one of the sources said. Top ByteDance U.S. investors, Oracle Corp and potentially Walmart Inc would hold at least a 60% stake in TikTok's U.S. operations, the source said.

White House Chief of Staff Mark Meadows said the situation was still fluid.

"There's no definite proposal that the president's being asked to consider or reject at this point," Meadows told reporters.

The new company, dubbed TikTok Global, will have a majority of American directors, a U.S. chief executive and a security expert on the board, the source added. Oracle has agreed to eventually own a 20% stake in the company, according to the source. If Walmart also



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KEY POINTS

The politics surrounding the future of TikTok's operations in the United States could undermine the need for better understanding and assurances when it comes to protecting user data, said DarkTrace's Marcus Fowler.

Sources previously told CNBC that TikTok-owner ByteDance chose Oracle to be the video sharing app's technology partner in the U.S. due to the company's close ties to the Trump administration and its willingness to accept a deal where it didn't buy 100% of the assets.

It remains unclear if the U.S. government will approve a restructuring plan that would still keep TikTok's U.S. business, including the data collected by the app on

TRENDING NOW

American users, under ByteDance's control.

President Donald Trump told reporters on Wednesday he was not ready to approve the proposal from ByteDance and said it must be "100% as far as national security is concerned."



The download page for ByteDance Ltd.'s TikTok app is arranged for a photograph on a smartphone in Sydney, New South Wales, Australia, on Monday, Sept. 14, 2020.

Brent Lewin | Bloomberg | Getty Images

SINGAPORE — The politics surrounding the future of TikTok's operations in the United States could undermine the need for better understanding and assurances when it comes to protecting user data, a security expert said Thursday.



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"Little-Known Tech" Behind



Beijing-based ByteDance, which owns the popular short video sharing app, rejected Microsoft's bid to buy TikTok's U.S. operations and instead chose Oracle to become TikTok's U.S. technology partner. Sources previously told CNBC that Oracle became ByteDance's partner of choice due to the company's close ties to the Trump administration and its willingness to accept a deal where it didn't buy 100% of the assets.

Political leanings of various parties involved in the potential transaction "further pollutes" concerns around data privacy and security, Marcus Fowler, director of strategic threat at cybersecurity firm Darktrace, said on CNBC's "Squawk Box Asia." Fowler previously worked for the CIA developing global cyber operations and technical strategies.

"I do worry that any political leanings here could pollute the outcome of what we really want which is better understanding and better assurances with regards to data and security," Fowler said.

He explained that there needs to be more concrete, transparent policy for how companies should be handling user data, no matter where they sit or what country they are aligned with.

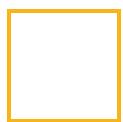
A sidebar from the website "Beyond The Valley". It features the logo "BEYOND THE VALLEY" with the tagline "Tech has no borders". To the right is a white box containing the text "Beyond The Valley" and "TikTok: From viral app to nation". Below this are several small icons: a person icon, a gear icon, a cloud icon, and a three-line menu icon.



It remains unclear if the U.S. government will approve a restructuring plan that would still keep TikTok's U.S. business, including the data collected by the app on American users, under ByteDance's control.

President [Donald Trump](#) told reporters on Wednesday he was not ready to approve a proposal from ByteDance and said it must be "[100% as far as national security is concerned.](#)"

"Is it if this goes through, well, the rest (of) other countries, other organizations (be) kind of like 'Oh, this is all I need to do to get my company's security practices over the bar, is I just need to align from a political standpoint rather than from a baseline of this is what security and security assurance looks like and this is the level of security I need to have in place in order to reach a bar that is acceptable', " Fowler said.



VIDEO 07:58

[What is ByteDance?](#)

What is ByteDance?

The United States has [alleged that data collected by the app](#) on American users could be accessed by the Chinese government and may be used for disinformation campaigns. TikTok has denied those allegations and said U.S. user data is stored in the country itself with a backup kept in Singapore.

The White House had imposed a Sept. 20 deadline for ByteDance to come up with a plan to sell the video app's U.S. operations or be banned by Sept. 29. A deal would have to be done by Nov. 12. But Beijing had pushed back on a tentative sale of U.S. assets, saying it [would need to approve](#) a deal that involves exporting the lucrative artificial intelligence technology used by TikTok.

Relations between the [U.S. and China have deteriorated considerably](#) in recent years due to a trade war and a race to establish dominance in crucial areas of technology including 5G and semiconductors. Washington has targeted Chinese [tech companies like Huawei](#) and upped the pressure on the likes of ByteDance and Tencent, making it more difficult for them to operate in the U.S.

— CNBC's Alex Sherman contributed to the report.

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Backlash Grows to *TikTok-Oracle Deal*

Senate Republicans and others criticized the latest plan to allow TikTok to continue operating in the United States, citing national security concerns.

By [Ana Swanson](#), [David McCabe](#) and [Lauren Hirsch](#)

Sept. 16, 2020, 6:52 p.m. ET

WASHINGTON — Even as negotiations continued on Wednesday over a proposal that would allow the Chinese-owned social media app TikTok to continue operating in the United States, a backlash was forming in Washington to the deal.

Over the weekend, TikTok had offered a proposal to the Treasury Department that aimed to address the Trump administration's concerns that the app could give the Chinese government access to sensitive data. The proposal included bringing on Oracle, the Silicon Valley business software company, as a technology partner to TikTok. But Oracle would not own TikTok outright and the app would not transfer ownership of its valuable recommendation algorithm to Oracle.

That proposal is now under review by a secretive, multi-agency national security panel, the Committee on Foreign Investment in the United States, which is expected to submit its recommendation to President Trump for a final decision on Thursday.

But while the proposal winds its way through the review process, some lawmakers are increasingly up in arms about it. In a letter on Wednesday, Republican senators including Marco Rubio of Florida, Thom Tillis of North Carolina and John Cornyn of Texas criticized the proposal, saying that any deal that left a Chinese company — in this case, TikTok's parent company, ByteDance — in control of the code or algorithms that run the app would fail to address national security concerns.

In their letter, the Senate Republicans said the prospective arrangement with Oracle raised “significant concerns,” arguing that a partial sale or “trusted partnership deal” would be “insufficient in achieving the goals of protecting Americans and U.S. interests.”

The letter was just the latest sign of discontent about the Oracle-related proposal for TikTok. On Monday, Senator Josh Hawley of Missouri, a Republican, said in a separate letter that the Trump administration should reject the proposal. He said that “perhaps, given constraints imposed by Chinese law, the only feasible way to maintain Americans’ security is to effectively ban the TikTok app in the United States altogether.”

The congressional objections raise the question of whether Mr. Trump could face criticism for the Oracle-TikTok proposal on the campaign trail. Mr. Trump, who had made positive comments about a deal on Tuesday, appeared to be aware of the growing debate.

“I’m not prepared to sign off on anything. I have to see the deal,” he said at a news conference on Wednesday. “They’re going to be reporting to me tomorrow morning.” He added that he was “not going to be happy” if TikTok remained largely owned by a Chinese company.

A day earlier, when asked about his thinking on an Oracle partnership with TikTok, Mr. Trump had said he would be making a decision “soon.” He added that he had “high respect” for Larry Ellison, Oracle’s founder.

“He’s somebody I know,” Mr. Trump said. “He’s been, really, a terrific guy for a long time. So we’re going to take a look.”

The backlash from lawmakers adds another twist to the drama over TikTok, which is hugely popular among teenagers and influencers and has seeped into popular culture. The app has been under scrutiny by the Trump administration for national security concerns for months, with critics saying it could provide a conduit for the Chinese government to gather data on American citizens. Chinese law requires that Chinese citizens share data with their government if asked.

Last month, Mr. Trump issued an executive order saying that TikTok essentially had to strike a deal to divest its U.S. operations by Sept. 20, or else halt commercial transactions in the United States. That set off a race among multiple bidders, as well as various plans to restructure TikTok’s ownership and address the app’s data security. The Chinese government also weighed in with new regulations that would have allowed it to block an outright sale of TikTok.

Oracle, TikTok and the Treasury Department did not immediately respond to requests for comment. A White House spokesman declined to comment.

Some of the scrutiny of the Oracle-TikTok proposal relates to the close ties Oracle appears to have cultivated with the Trump administration. Mr. Ellison hosted a fund-raiser for Mr. Trump this year, and the company's chief executive, Safra Catz, served on the president's transition team and has frequently visited the White House.

The actions to get the Oracle-TikTok proposal through government approval have ramped up in recent days. Some of Mr. Trump's advisers, including Treasury Secretary Steven Mnuchin and Commerce Secretary Wilbur Ross, have appeared inclined to accept the kind of deal that ByteDance has offered, people familiar with their thinking have said.

But the idea has been met with skepticism by more hawkish members of the Trump administration, including Secretary of State Mike Pompeo, who has been doubtful that this deal could guarantee that American data would not end up in China, people familiar with his thinking said.

On Wednesday, Ms. Catz, who has given more than \$100,000 to Mr. Trump's re-election, spoke with Attorney General William P. Barr about the deal, said two people with knowledge of the matter, who were not authorized to speak publicly.

The Justice Department did not immediately respond to a request for comment.

Much about the proposal also remains fluid. ByteDance, Oracle and the government are still discussing how any arrangement would protect TikTok's user data from China and who exactly would have corporate control of the service, said the people familiar with the discussions.

To alleviate concerns, one person said, TikTok's board in the United States would include only government-approved members, including one independent member with expertise in data security. Oracle would also be able to review the app's source code and subsequent updates for security vulnerabilities, the person said.

Speaking to reporters on Wednesday afternoon, Larry Kudlow, the director of the National Economic Council, said the administration was in the midst of "a deep review process."

"All that's being looked at. I don't want to speak for anybody. It's a very confidential process, but security is paramount, with respect to information leaking out to China, and ownership is important," Mr. Kudlow said.

Others in Washington expressed concerns about the way the White House had pursued the company.

Senator Mark Warner, a Democrat of Virginia who is a prominent skeptic of Chinese technology companies, said in a speech on Wednesday that scrutiny of technology companies that could pose a risk "must be done honestly." He said that the "haphazard actions on TikTok fail that test and will only invite retaliation against American companies."

Ana Swanson and David McCabe reported from Washington, and Lauren Hirsch from New York. Edward Wong contributed reporting from Washington.

Bloomberg

Trump Nears Decision on Oracle-TikTok Bid After Review

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(Bloomberg) -- President Donald Trump is preparing to decide whether to approve Oracle Corp.'s alliance with the Chinese-owned video app TikTok after security experts examined the companies' proposal.

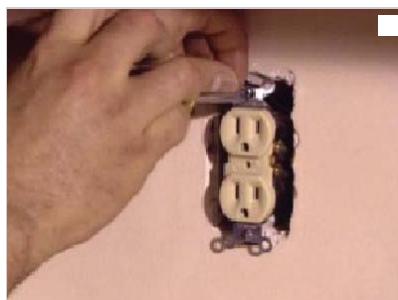
A U.S. national security panel reviewed the bid Tuesday afternoon, but didn't make a recommendation that the president approve or reject the deal, according to a person familiar with the matter. Speaking to reporters on the South Lawn of the White House, Trump said his staff are "very close to a deal" and signaled what could be telling support for Larry Ellison, Oracle's chairman.

"I have a high respect for Larry Ellison," he said. "He's somebody I know, he's been really a terrific guy for a long time."



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Larry Ellison



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Photographer: David Paul Morris/Bloomberg

The proposal, unveiled in part, doesn't call for Oracle to buy the business outright. Instead, the company would invest in a newly restructured global TikTok, with operations based in the U.S., according to people familiar with the proposal. ByteDance would maintain majority ownership and at least three shareholders in TikTok's Chinese parent company -- General Atlantic, Sequoia Capital and Coatue Management -- would take stakes in the new business, said the people, all of whom asked not to be identified because the terms aren't finalized.

Oracle's proposal lacks the payment to the U.S. government that the president has insisted be the condition of any deal, according to two people familiar with the plan. Yet the company will try to use the promise of creating 20,000 new jobs through the popular video app as a way to win his approval, they said.

Treasury Secretary Steven Mnuchin, who has played a central role in brokering a deal that would shift the Chinese-owned video app's U.S. operations over to an American company, leads the Committee on Foreign Investment in the U.S., or Cfius, and has promised to give Trump the panel's recommendation this week.

White House adviser Jared Kushner voiced strong support for Oracle's bid for TikTok during an interview with CNBC earlier Tuesday, even though the proposal could still fall short of President Donald Trump's demands that any deal protect national security and include the payout to the U.S. government.

The U.S. is undertaking a two-track national security review of the TikTok proposal this week and any sale still requires sign-offs from both the U.S. and China. One is through Cfius, and a separate one is through the Commerce Department.

While details of the agreement between Oracle and China's ByteDance Ltd. remain under wraps, Kushner expressed optimism that it would clear the administration's key hurdles.

"Hopefully the application qualifies on the merits for what we're trying to accomplish from a national security point of view," Kushner said. "America's interest in that is really national security -- we want to make sure that people's data is protected."

The deal unveiled Monday by Oracle seeks to address the national-security concerns that Trump raised last month when he ordered the sale of TikTok's U.S. business. The administration says that Chinese ownership of the app poses a risk to American users' data security and that Beijing could use the service to deliver disinformation and propaganda to the service's 100 million active users in the U.S.

Based on what's been revealed so far about the deal, national security experts say the arrangement doesn't satisfy those concerns, which the Trump administration laid out in executive orders and public statements.

"It's not clear the first goal has been met and the second goal is even more difficult," said Stewart Baker, a national security lawyer at Steptoe & Johnson and a former assistant secretary with the Homeland Security

Department. "There could still be a lot of negotiating to do."

The companies haven't fully addressed Trump's repeated demand for a payment to the U.S. Government. "I said the United States has to be compensated, well compensated," he reiterated earlier this month, a demand that has confounded security experts who say such a payment would stretch his authority under U.S. law.

Earlier: Trump Push for TikTok Fee Confounds Washington Security Experts

Even if security officials recommend Trump block the deal, the president has the final say and he can overrule their recommendation. Trump has until Sept. 20 to make a decision.

The deal, if finalized, would create what Mnuchin called "TikTok Global." The unit would have its headquarters in the U.S. and create 20,000 jobs, he said, without offering details.



© Bloomberg Stimulus Talks Near Brink Of Collapse After Rancorous Meeting

Steven Mnuchin

Photographer: Stefani Reynolds/Bloomberg

It's unclear how a new subsidiary would create that many U.S.-based jobs. TikTok has hundreds of open jobs listed right now, from content moderation to advertising sales. Snapchat Inc., which operates a social media app similar to TikTok, employs 3,000. By comparison, Facebook Inc. and Instagram Inc. each have 45,000 workers.

TikTok and the Treasury Department declined to comment. A representative for Oracle didn't reply to requests for comment.

For more: All About Cfius, Trump's Watchdog on China Dealmaking: QuickTake

Cfius includes members from the State, Defense, Justice, Commerce, Energy and Homeland Security departments. The panel assesses deals for national security implications by looking at factors that include: U.S. business's contracts and ties with the federal government; as well as whether the deal involves critical infrastructure, such as transport systems, data networks and other communication systems.

Bytedance has been working with Cfius since October 2019 on addressing the committee's concerns, according to a person familiar with the matter, and for months has been trying to separate somewhat from China, including hiring a new CEO and giving autonomy to U.S. executives for the app's bug fixes and product changes. The company had already begun moving data and content moderation to the U.S., where it stores its data with firms like Amazon.com Inc. and Alphabet Inc.'s Google, with backup servers in Singapore. If Cfius accepts these remedies, it could allow ByteDance to keep control of one of its prized assets, the person said.

Even if TikTok's data is stored by Oracle in the U.S., that could still leave ByteDance with some control over the computer code behind how the app chooses which videos are shown to users. If TikTok's algorithms remain in ByteDance's hands, security experts say, the code could be manipulated by Beijing to

3 Trump Nears Decision on Oracle-TikTok Bid After Review

U.S. elections.



(Updates with panel not yet making a recommendation)

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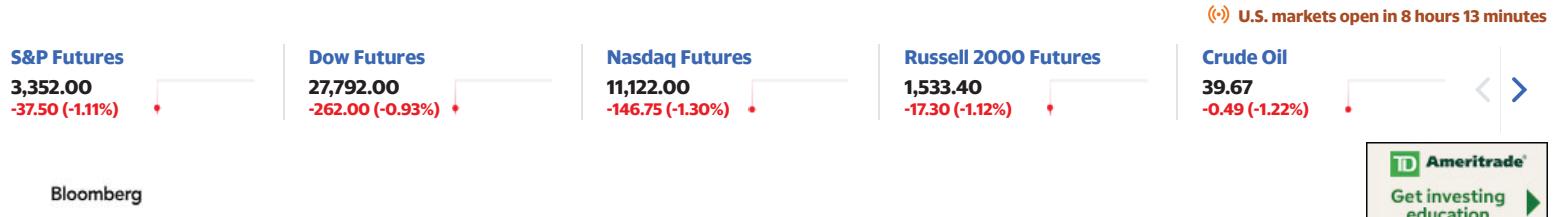
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Oracle's TikTok Bid Leaves Open Some U.S. Security Concerns



Saleha Mohsin, Nick Wadhams and Jennifer Jacobs

Wed, September 16, 2020, 6:01 PM EDT

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(Bloomberg) -- Oracle Corp.'s bid for TikTok falls short of resolving concerns of Trump administration officials that the Chinese-owned video-sharing app poses a risk to U.S. national security, according to people familiar with the matter.

President Donald Trump has the authority to sign off on a deal, but continuing concerns from national security officials might sway his decision. The agreement remains on the table, with discussions continuing between administration officials and the companies, said the people, who asked not to be named because the talks are confidential.

Addressing those remaining issues could clear the way for U.S. approval, the people said. The companies are still working to make their case with the government, according to the people, and think they can still prevail.

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At a press conference on Wednesday evening, Trump said he was not happy about what he was hearing about the bid, but added that he would be briefed on the details Thursday morning. "I'm not prepared to sign off on anything," he said.

He now has four days until a self-imposed Sept. 20 deadline to decide whether to approve a proposal by TikTok's Chinese parent ByteDance Ltd. to restructure the video app's global operations as a new standalone company that would give Oracle and other American investors a minority stake.

The officials, including Secretary of State Michael Pompeo, are concerned that after a potential transaction, ByteDance Ltd. could still have access to user data from its nearly 100 million users in America, said the people. The officials remain wary about the proposed new ownership structure and how much influence that would give China over the company.

Terms of the proposed deal would give Oracle full access to TikTok's source code and updates to make sure there are no back doors used by the company's Chinese parent to access data on the video-sharing app's 100 million American users, according to people familiar with the matter describing provisions submitted to the U.S. government over the weekend.

The terms illuminate what the companies and security officials mean when they call Oracle a "trusted technology partner," which goes beyond just housing data inside Oracle's U.S. cloud servers, according to people with knowledge of the terms, who asked not to be identified because they weren't authorized to speak publicly.

Oracle would be able to check all source code from the algorithms that decide which videos get shown to which users to ensure there are no back doors and will be able to continue to review the technology as updates come in to make sure there are no new points of access, the people said.

The newly formed TikTok would be headquartered in the U.S. and would hire an independent board approved by the U.S. government. The standalone company would also have oversight by a third party, which would report to the U.S. government and provide continuous audits, reports and protocols for handling any incidents that may arise, according to the people.

Treasury Secretary Steven Mnuchin has reviewed the proposed deal, according to some of the people. Attorney General William Barr was only briefed on the deal Wednesday and is reviewing it, according to a Justice Department official who declined further comment. Barr spoke with Oracle executives Wednesday morning, two people familiar with the situation said. Pompeo had a conversation with company officials last week.

TikTok has emerged as a top target in Trump's effort to crack

down on China ahead of the Nov. 3 election. The president is trailing his Democratic opponent Joe Biden in the polls and seeking to use his tough stance with Beijing as a selling point to voters.

The Treasury, State and Justice departments are all part of the Committee for Foreign Investments in the U.S., or Cfius, that reviews deals for national security implications. In a meeting Tuesday afternoon, officials raised concerns about a deal that would leave a majority stake of TikTok's U.S. assets in ByteDance's hands, with Oracle taking a minority share, the people said.

The panel was expected to meet again Wednesday to discuss the potential sale, according to one of the people.

White House press secretary Kayleigh McEnany said a decision on TikTok is coming in "short order" during a briefing with reporters.

"We care deeply about protecting the data and security of American citizens."

Spokespeople for Treasury and State declined to comment. The Justice Department official didn't immediately reply to a question about whether the attorney general had spoken to Oracle.

TikTok declined to comment.

While user data from Americans would be stored by Oracle in the U.S., it appears the rest of the technology underpinning the app, including ownership of the prized algorithms that pick and choose which videos to show users, and the engineering teams in China that work on them, would remain in the hands of TikTok's Chinese owner. Regardless of where the data is stored, critics of the deal say that national security concerns can't be resolved as long as Tiktok's Chinese parent wields financial control of the company.

The Oracle agreement is facing sharp pushback in Congress,

where some lawmakers have argued that its terms don't go nearly far enough to address the reason why Trump demanded the sale in the first place. A letter sent to Trump on Wednesday by Senator Marco Rubio of Florida and five other Republicans said the deal in its current reported form

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for an "outright sale" of Tiktok if necessary. Some have also demanded TikTok turn over the algorithm that helps determine the content seen by users.

Opposition like that from the senators is important because many of them have a direct line to Trump and will almost certainly lean on him to reject any deal they don't like. Congressional rejection could also raise the prospect of reputational risks for Oracle because lawmakers could seek to shame the company for cutting a deal that they argue undercuts U.S. national security.

The proposal presented to Cfius stands in stark contrast to what was originally called for by President Trump in a pair of executive orders issued last month calling for a ban of the app unless it was sold to an American owner.

The new TikTok deal with Oracle doesn't call for the software company to buy the business outright. Instead, Bytedance would maintain majority ownership and provides Oracle with a stake in the business and a role as a key technology partner.

At least three shareholders in TikTok's Chinese parent company -- General Atlantic, Sequoia Capital and Coatue Management -- would take stakes in the new business, said the people, all of whom asked not to be identified because the terms aren't finalized. Walmart Inc., which had previously partnered with Microsoft Corp. to make an outright bid for TikTok's U.S. business, remains interested in investing as well, the company said earlier this week.

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The Oracle proposal being considered by Cfius also lacks the payment to the U.S. government that the president had insisted be the condition of any deal, according to two people familiar with the plan. Yet TikTok will try to use the promise of creating 20,000 new jobs through the popular video app as a way to win his approval, they said.

The deal would also have to get the blessing from the Chinese government, which has outwardly scolded Trump for pushing a fire-sale of TikTok and publicly shown its support for Bytedance, recently giving the tech giant the green light to acquire a company with a coveted national digital payment license — a competitive arena that Beijing strictly controls.

(Updates with Trump reaction, proposed deal terms, from fourth paragraph)

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The Washington Post

Democracy Dies in Darkness

TikTok proposes to add new U.S. headquarters and 20,000 jobs to win over Trump

Treasury Secretary Mnuchin confirms details in new offer for Oracle from TikTok

By **Jay Greene**

September 14, 2020 at 12:36 p.m. EDT

TikTok offered to create a new U.S.-based company and add 20,000 jobs in a bid to win over U.S. government support for its proposal to address President Trump's security claims and keep its short-form video app operating in the country.

Treasury Secretary Steven Mnuchin revealed a few details in an appearance on CNBC on Monday morning, also corroborating that Oracle was involved in the proposal.

"I want to be careful what I say, but I will confirm we did get a proposal over the weekend that includes Oracle as the trusted technology partner, with Oracle making many representations for national security issues," Mnuchin said. "There's also a commitment to create TikTok Global as a U.S. headquartered company with 20,000 new jobs."

TikTok runs its U.S. operations from Culver City, Calif., just west of Los Angeles. The Washington Post previously reported that TikTok approached the administration with a mitigation proposal.

While Mnuchin didn't go into detail about the proposal, people familiar with the talks who spoke on the condition of anonymity to discuss them candidly told The Post that the proposed arrangement would allow its parent company, ByteDance, to retain ownership but outsource management of data to Oracle's cloud-computing operations. If a deal along that structure wins administration approval, it would represent a significant step back from what the president demanded when he first threatened to ban the app in the United States in July. At the time, Trump pushed to force the sale of TikTok's U.S. operations to an American company.

Oracle emerged as the unlikely victor Sunday afternoon to work with TikTok to try to satisfy both the U.S. and Chinese governments, beating out a rival bid from Microsoft. Trump previously issued an order that would ban the app in the United States beginning Sept. 20 over national security concerns. He followed that with a second order that would essentially require ByteDance to divest from its operations in the United States.

Mnuchin didn't say that Oracle would take an ownership position, but he said it would serve as "the trusted technology partner."

In a statement, TikTok spokeswoman Hilary McQuaide said, "We can confirm that we've submitted a proposal to the Treasury Department which we believe would resolve the Administration's security concerns."

In a statement after Mnuchin's comments, Oracle spokeswoman Deborah Hellinger confirmed that "it is part of the proposal submitted by ByteDance to the Treasury Department over the weekend in which Oracle will serve as the trusted technology provider."

Oracle is an unusual choice given that it has no consumer business. The company is massive but provides business software, such as database services, that companies use to run their operations.

But Oracle's close relationship with Trump may have given it an upper hand, as it beat out Microsoft to work with TikTok. Oracle's chief executive, Safra Catz, has dined at the White House with Trump and served on the president's transition team after his election in 2016. Oracle co-founder and chairman Larry Ellison hosted a fundraiser for Trump this year.

Mnuchin said the administration "had a lot of confidence in both Microsoft and Oracle."

He would only say that national security remains the priority and that regulators will discuss the proposal with Oracle "over the next few days."

"A critical factor for us, driving national security, is making sure that the technology on Americans' phones is safe and making sure that it is not corrupt," Mnuchin said.

TikTok has repeatedly insisted that it is not a national security threat and that it does not share any U.S. customer information with the Chinese government.

The new proposal will be taken up by the Committee on Foreign Investment in the United States, which reviews national security implications of foreign investments.

"Then we'll be making a recommendation to the president and reviewing it with him," Mnuchin said.

Rachel Lerman and Ellen Nakashima contributed to this report.